

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Nine)

Docket No. RM2017-13

PUBLIC REPRESENTATIVE COMMENTS

(November 21, 2017)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 4141.¹ In that Order, the Commission established Docket No. RM2017-13 to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's petition to change analytical principles related to periodic reporting.² The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1. If the proposed methodological changes are approved, the Postal Service intends to implement them starting the FY 2018. Petition, Proposal Nine at 1. In support of the Petition, the Postal Service filed City Carrier Cost System (CCCS) statistical documentation and accompanying workpapers.³ The Postal Service provided additional information in its responses to Chairman Information Requests No. 1 and No. 2.⁴

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Nine), October 3, 2017 (Order No. 4141).

² Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), September 29, 2017 (Petition).

³ City Carrier Cost System – Digital DPS Statistical Documentation, CCCS_DigitalDPS_Documentation.pdf (Statistical Documentation); Prop.Nine.Impact.xlsx.

⁴ USPS Responses to Questions 1-2 of Chairman's Information Request No. 1, October 16, 2017 (Responses to CHIR No. 1); USPS Response to Question 1 of Chairman's Information Request No. 2, October 26, 2017 (Response to CHIR No. 2); See also Chairman's Information Request No. 1, October 10, 2017 (CHIR No. 1); Chairman's Information Request No. 2, October 23, 2017 (CHIR No. 2).

II. SUMMARY OF PROPOSAL NINE

Objective: In Proposal Nine, the Postal Service seeks to revise a methodology of CCCS data collection for Delivery Point Sequence (DPS) mail. Petition, Proposal Nine at 1. Specifically, for DPS mail, the Postal Service intends to modify “the volume proportion estimation procedures used for cost distribution” by replacing “a large portion of manual sampling” with the digital samples obtained from Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW). *Id.*

Background: CCCS is an “ongoing cross-sectional statistical study” that samples “city carrier route-days.” *Id.* Its data “are primarily used to distribute city carrier costs among the products city carriers deliver.” *Id.* Currently, the Postal Service collects CCCS DPS data manually. *Id.* at 3. ODIS-RPW, which is also a probability-based mail sampling system, has been traditionally assisted the Postal Service in estimating revenue, pieces, and weight for certain mail categories where the data is not available from the Postal Service’s revenue accounting system or postage statements.⁵ After Commission Order No. 2739, the Postal Service started to utilize digital images in ODIS-RPW.⁶ ODIS-RPW digital data has been recently expanded “to produce ZIP-Day DPS estimates.” Petition, Proposal Nine at 2.

Rationale: The Postal Service claims that “[m]ailpiece information obtained from ODIS-RPW digital sampling is similar to CCCS DPS data elements.” *Id.* The utilization of ODIS-RPW digital data would allow the Postal Service to avoid manual sampling for approximately 93 percent of the CCCS letter routes because they are currently covered

⁵ See Docket No. R2006, USPS-T-3, Direct Testimony of Bradley V. Pafford of Behalf of the United States Postal Service, May 3, 2006 at 3-6. See also United States Postal Service Handbook F-75, Policies for Revenue, Volume, and Performance Measurement Systems, April 2015 (Handbook F-75), available in Docket No. ACR2016, USPS-FY16-46, March 1, 2017, file “FY.16.46.ChIR.20.Public.Files.zip,” folder “ChIR 20 Q 11.”

⁶ Docket No. RM2015-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), September 30, 2015 (Order No. 2739). See also, Docket No. RM2015-11, Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal Three), July 14, 2015.

by “the ODIS-RPW digital sampling frame.” *Id.* This would allow CCCS data collectors devoting more time to sampling other mail types, such as parcels, cased letters, and flats. *Id.* at 3. The Postal Service states that the use of digital data “would reduce the risk of undetected sampling error.” *Id.*

Impact: Under Proposal Nine, mail volume proportions used to produce the distribution key for DPS mail might change. *Id.* at 3-5. The Postal Service claims that this would lead to a different distribution of city carriers’ street costs between mail categories reported in Cost Segment (C/S) 7 of the Cost and Revenue Analysis (CRA) and to changes in the relevant unit costs. *Id.* The Postal Service maintains that the potential changes will be very minor and primarily effect categories with “substantial letter-shaped volumes that are handled in DPS operations.” *Id.* at 4.

III. COMMENTS

In Order No. 2739, the Commission found that “the accuracy, quality, and completeness of ODIS-RPW data [would] be improved by the adoption of the automated digital sampling process.” Order No. 2739 at 4. The Commission noted that “the automation of data collection” would “reduce the usage of labor resources and mitigate sampling bias resulting from manual data collection.” *Id.* at 4-5. After the approval of Proposal Three in Order No. 2739, the Postal Service’s data collectors started to enter mail characteristics into the ODIS-RPW database using “digitally captured images of letter- and card- shaped mail from Delivery Barcode Sequence (DBCS) second pass operations.” Statistical Documentation at 1.

Later, in Order No. 2901, the Commission approved a new stratification system for Mail Exit Points (MEPs), which stratified the zones in digital sampling design by the proportion of business delivery units.⁷ After the implementation of digital sampling of

⁷ Docket No. RM2016-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Eleven), December 18, 2015 at 5 (Order No. 2901). See *also* Docket No. RM2016-1, Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principals (Proposal Eleven), October 7, 2015 at 5-7 and Appendix A: Technical Notes at 1-3.

ODIS-RPW mail data, the Postal Service started to independently collect estimates from manual and digital sample frames, and then combine the obtained estimates.⁸ Since the beginning of digital sampling of mail characteristics at ODIS-RPW MEPs, the Postal Service has expanded the percentage of digital MEPs from approximately 9 percent to 18.46 percent. Response to CHIR No. 1, question 2. The Public Representative believes that by utilizing and expanding the digital sampling design in ODIS-RPW, the Postal Service is on the right track.

In Proposal Nine, the Postal Service moves forward with utilization of ODIS-RPW digital data in the CCCS database in order to “enhance the estimation of delivered DPS volumes.” Statistical Documentation at 1. The Postal Service plans to continue manual CCCS DPS mail sampling for about 7 percent of routes not included in ODIS-RPW digital frame. Petition, Proposal Nine at 2. The Postal Service proposes to combine the mail volume estimates obtained from these manual samples with the estimates from the digitally sampled ODIS-RPW DPS mail data. Response to CHIR No. 1, question 1. To obtain the volume totals of DPS mail, the Postal Service proposes to add together the manually and digitally sampled mail estimates using the same methodology it has already applied in ODIS-RPW.⁹ The Public Representative finds this approach reasonable.

Using the information provided, the Public Representative was unable to verify whether the ODIS-RPW digital sampling frame of ZIP-Days covers 93 percent of the CCCS frame of city letter routes, as the Postal Service claims. Petition, Proposal Nine at 2. However, the multi-stage statistical study design underlying Proposal Nine appears well developed and should allow matching CCCS routes to ZIP Code level, which is required for CCCS digital DPS sampling. Statistical Documentation at 1-3. Thus, using the spatial features of SAS software, the Postal Service would “map the

⁸ Docket No. RM2016-1, Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 1, November 6, 2015, question 1 (Docket No. RM2016-1, Response to CHIR No. 1).

⁹ *Id.*; See also Docket No. RM2016-1, Response to CHIR No. 1, question 1.

ODIS-RPW data to mailcodes and data elements used by CCCS.” Petition, Proposal Nine at 2. The CCCS digital DPS sampling will apply to “city letter routes in ZIP Codes that exist in the ODIS-RPW digital frame.” Statistical Documentation at 2. Otherwise, manual sampling of DPS mail will be used. *Id.* The stratification of ZIP Codes into 6 strata is based on, first, the number of city routes in the ZIP Code and, second, the percentage of business deliveries. *Id.* at 3. As noted above, the Commission has previously approved the application of business delivery point stratification to digital sampling design. Order No. 2901 at 5. The Public Representative supports the proposed partial replacement of CCCS manual DPS sampling with ODIS-RPW digital sampling.

As required by 39 C.F.R. § 3050.11(b)(1), the Postal Service provides an estimate of the impact of the proposed change on the relevant characteristics of affected postal products. Specifically, the Postal Service presents the impact of Proposal Nine on the DPS distribution key proportions, City Carriers total office and street cost (C/S 6&7), as well as on products’ unit costs. Petition, Proposal Nine at 4-5; Prop.Nine.Impact.xlsx. After analyzing the Postal Service’s spreadsheets that contain the impact estimates of Proposal Nine and underlying input data, the Public Representative has concerns regarding the presented impact.

First, it is not clear how the Postal Service differentiates between the impact on C/S 6 and C/S 7 unit costs. When calculating the impact of Proposal Nine on each product’s unit cost, the Postal Service estimates the proposed change in the FY 2016 C/S 6&7 total office and street costs, then applies piggyback ratios for City Carriers to the estimated change, and, finally, divides the resulted output difference by the FY 2016 RPW number of pieces.¹⁰ Following the methodology of these calculations, it appears that the estimated impact applies to C/S 6&7, and not just to C/S 7 as the Postal

¹⁰ Prop.Nine.Impact.xlsx, tab “Impact,” Columns O through V. See also Docket No. ACR2016, USPS-FY16-32, CS06&7-Public-FY16.xlsx (tab “Outputs to CRA,” column M); USPS-FY16-32, I-Forms-Public-FY16.xlsx (tab “I-RPW,” column E); USPS-FY16-24, fy16public.pb.xlsx, tab “CityCarriers,” Column BI.

Service claims.¹¹ The Public Representative believes that the Postal Service should explain how it segregates the impact on C/S 7 unit cost.

Second, to estimate the impact of Proposal Nine, the Postal Service relies on FY 2017 PQ3 data.¹² However, possible variation in the number of CCCS DPS mail pieces by postal quarter could lead to different DPS distribution key proportions and different unit costs (if data for different postal quarters were used). Although the Public Representative does not expect the above-mentioned variation to significantly alter the estimated impact of Proposal Nine, the Postal Service's clarification on the issue would be beneficial.

IV. CONCLUSION

The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

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¹¹ In the table titled "Impact of Proposal Nine," the Postal Service states that it presents the proposed C/S 7 unit cost difference (with piggyback factors). Petition, Proposal Nine at 5. See also Prop.Nine.Impact.xlsx, tab "Table", column H.

¹² Using the FY 2017 PQ3 data, the Postal Service estimates the percentage change in CCCS mail pieces used for C/S 7 DPS distribution keys, and then updates the C/S 7 DPS distribution key inputs in Docket No. ACR2016. Petition, Proposal Nine at 4; Prop.Nine.Impact.xlsx, tab "Impact," columns E through M; See also Docket No. ACR2016, USPS-FY16-32, CS06&7-Public-FY16.xlsx, tab "Input DK," Column G.